

Message Text

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C O N F I D E N T I A L STATE 124240

EXDIS

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: ENERGY COORDINATING GROUP - PROPOSED INTEGRATED

EMERGENCY PACKAGE

OECD PARIS: DELIVER J. KATZ OPENING BUSINESS

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1. TRANSMITTED BELOW IS PRELIMINARY ELABORATION

OF US PROPOSAL FOR INTEGRATED EMERGENCY PACKAGE WHICH WE ARE CIRCULATING FOR DISCUSSION AT JUNE 17-18 ECG MEETING. YOU SHOULD DELIVER TEXT OF US PROPOSAL ASAP TO SENIOR HOST GOVERNMENT OFFICIAL RESPONSIBLE FOR ECG AFFAIRS. YOU SHOULD EMPHASIZE THAT THIS PROPOSAL IS ADVANCED FOR DISCUSSION PURPOSES AND THAT IT DOES NOT, AT THIS STAGE, REPRESENT AN OFFICIAL US POSITION.

2. FOR ALL ECG CAPITALS (EXCEPT LUXEMBOURG): US WISHES TO HOLD BILATERAL MEETINGS WITH HOST COUNTRY ECG REPS TO WALK THROUGH US PROPOSAL PRIOR TO JUNE 17 MEETING. MEMBERS OF US DELEGATION ARE AVAILABLE TO BRIEF ECG REPS

IN SEPARATE MEETINGS IN BRUSSELS ANYTIME SUNDAY JUNE 16 OR, ALTERNATIVELY, IN THE EARLY MORNING OR AT LUNCH ON JUNE 17. EMBASSIES SHOULD REQUEST APPOINTMENTS ACCORDINGLY AND INFORM DEPARTMENT INFO TO OTHER ECG CAPITALS, OF TIMES PREFERRED BY HOST COUNTRY REPS. DEPARTMENT WILL RESOLVE POSSIBLE SCHEDULE CONFLICTS. DEPUTY ASSISTANT SECRETARY KATZ, WHO IS IN PARIS ATTENDING OECD MEETING, WILL ALSO ATTEMPT

TO BRIEF SELECTED COUNTRIES DURING THE WEEK AS TIME PERMITS. HE WILL COORDINATE HIS BRIEFING SCHEDULE WITH DEPARTMENT AND EMBASSY BRUSSELS.

3. FOR BRUSSELS: ASST SECY DESIGNATE ENDERS WILL ARRIVE BRUSSELS ON SA604 AT 10:30 A.M. SATURDAY, JUNE 15. MEETING IS ALREADY BEING SCHEDULED WITH DAVIGNON TO DISCUSS US PAPER.

4. BEGIN TEXT OF US PAPER ENTITLED: QUOTE: PROPOSAL FOR INTEGRATED EMERGENCY PROGRAM: MAJOR ELEMENTS

IN ITS MEETING ON MAY 2-3, THE ENERGY COORDINATING GROUP (ECG) AGREED THAT THE DEVELOPMENT OF A COMPREHENSIVE INTEGRATED EMERGENCY PROGRAM (IEP) SHOULD BE A PRINCIPAL OBJECTIVE FOR THE CURRENT PHASE OF THE ECG'S WORK.

THIS PAPER LAYS OUT A POSSIBLE APPROACH TO SUCH A PROGRAM FOR THE PRINCIPAL CONSUMER COUNTRIES. WHILE THE GENERAL CONFIDENTIAL

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APPROACH REFLECTS PRESENT US THINKING, IT IS ADVANCED FOR DISCUSSION PURPOSES ONLY; IT DOES NOT, AT THIS STAGE REPRESENT AN OFFICIAL U.S. POSITION.

AGREEMENT ON THE BASIC ELEMENTS OF SUCH A SCHEME COULD BE INCORPORATED IN A SUITABLE DECLARATION, WHICH MIGHT

BE ADOPTED BY THE GOVERNMENTS AT THE CONCLUSION OF THIS

PHASE OF THE WORK ON ENERGY COOPERATION.

GOALS AND OBJECTIVES

THE OBJECTIVE OF THE PROPOSED PROGRAM IS TO REDUCE THE VULNERABILITY OF THE PARTICIPATING CONSUMER COUNTRIES, INDIVIDUALLY AND COLLECTIVELY, TO CURTAILMENTS, MANIPULATIONS, AND INTERRUPTIONS OF OIL SUPPLIES.

THE BASIC DEFENSES WHICH CONSUMERS HAVE AGAINST INTERRUPTION OF SUPPLY ARE (I) RESTRAINT OF DEMAND, TO BRING CONSUMPTION INTO A BETTER BALANCE WITH SUPPLY; AND (II) STOCKPILING AND SIMILAR EMERGENCY SUPPLIES, TO CUSHION THE ECONOMIC IMPACT OF SUDDEN AND SUBSTANTIAL SUPPLY CUTBACKS. IN ADDITION, THERE IS NEED FOR A MECHANISM THAT WOULD ALLOCATE AVAILABLE OIL SUPPLIES AMONG THE PARTICIPATING COUNTRIES IN AN EMERGENCY IN ORDER TO COMPENSATE FOR THE SELECTIVE AND DIFFERENTIAL EFFECTS OF ANY SUPPLY CUTBACK.

THUS, THE BASIC ELEMENTS OF AN EFFECTIVE EMERGENCY PROGRAM MUST ENCOMPASS:

- STANDBY DEMAND RESTRAINT MEASURES;
- STANDBY ALTERNATIVE SUPPLIES (STOCKPILING, STANDBY PRODUCTION CAPACITY, FUEL SWITCHING CAPACITY;) AND
- EQUITABLE ALLOCATION OF SUPPLIES

IN ADDITION, THE EMERGENCY PROGRAM SHOULD PROVIDE COMMITMENTS AND INCENTIVES THAT WILL ENCOURAGE PARTICIPATING COUNTRIES TO PURSUE VIGOROUSLY THE DIVERSIFICATION OF THEIR ENERGY SUPPLIES OVER THE LONGER TERM AND WILL PROGRESSIVELY REDUCE THE VULNERABILITY OF

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THE GROUP TO INTERRUPTIONS OF SUPPLY. THUS, FOR THE LONGER TERM SUCH A PROGRAM SHOULD INCLUDE:

- CONSERVATION POLICIES AND PROGRAMS WHICH WILL REDUCE THE GROWTH IN DEMAND FOR ENERGY IN RELATION TO GNP GROWTH;
- PROGRAMS DESIGNED TO REDUCE THE RELATIVE ROLE OF PETROLEUM IN THE PATTERN OF ENERGY CONSUMPTION; AND
- THE ACCELERATED DEVELOPMENT OF NEW PETROLEUM SOURCES, DOMESTICALLY AND INTERNATIONALLY, TO DIVERSIFY PETROLEUM SUPPLIES.

SUCH A COMPREHENSIVE APPROACH WOULD:

-- DISCOURAGE THE INTERRUPTION AND MANIPULATION OF SUPPLIES;

-- MINIMIZE ECONOMIC DAMAGE IF SUPPLIES ARE CURTAILED;

-- PRESERVE THE COHESION AND SOLIDARITY OF THE MAJOR CONSUMERS, POLITICALLY AND ECONOMICALLY;

-- FORESTALL SELECTIVE SUPPLY MANIPULATION DIRECTED AGAINST INDIVIDUAL COUNTRIES;

-- REDUCE THE COSTS OF STANDBY EMERGENCY MEASURES AND DISTRIBUTE THEM EQUITABLY;

-- CONTRIBUTE TO A LONG-TERM PROGRAM OF CONCERTED MEASURES BY THE INDUSTRIAL COUNTRIES TO IMPROVE THE GLOBAL SUPPLY DEMAND BALANCE.

-- CONTRIBUTE TO THE UNDERLYING TRADE AND MONETARY INTERCHANGES AMONG THE COOPERATING COUNTRIES.

EQUITY OF THE PROPOSED SCHEME

THREE GENERAL NOTIONS ARE CENTRAL TO THE ARRANGEMENT
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PROPOSED IN THIS PAPER AND ENSURE AN EQUITABLE DISTRIBUTION OF ITS BENEFITS AND COSTS.

(1) THAT ALL THE MEMBERS SHARE EQUALLY IN THE INCONVENIENCE AND COSTS OF AN EMERGENCY BY CURTAILING DOMESTIC CONSUMPTION, IRRESPECTIVE OF THEIR OWN SPECIFIC SUPPLY SITUATION IN A PARTICULAR EMERGENCY; AND THAT ALL THE OIL AVAILABLE TO THE GROUP, FROM DOMESTIC OR EXTERNAL SOURCES, BE TREATED AS A COMMON POOL TO ENSURE THAT WHEN CONSUMPTION IS REDUCED, THE CURTAILMENT IS EQUIVALENT.

(2) THAT THOSE MEMBERS OF THE GROUP MOST VULNERABLE TO IMPORT INTERRUPTIONS MAKE CORRESPONDINGLY GREATER EFFORTS, THROUGH INCREASED STOCKPILING AND EQUIVALENT MEASURES TO CUSHION THE EFFECT OF SUPPLY CURTAILMENTS DURING AN EMERGENCY.

(3) THAT THE GROUP AS A WHOLE SET ITSELF TARGETS UNDER THIS ARRANGEMENTS -- FOR STANDBY CONSUMPTION RESTRAINT PROGRAMS, STOCKPILING, AND ALTERNATIVE SOURCES; THAT THE GROUP SEEK TO REDUCE ITS VULNERABILITY OVER TIME, THEREBY PROGRESSIVELY REDUCING THE BURDENS AND

THE RISKS OF POSSIBLE FUTURE CONTINGENCIES; AND THAT THE MEMBERS, THROUGH COOPERATIVE PROGRAMS, SHARE IN THE COSTS AND THE ECONOMIC RISKS OF THE DEVELOPMENT OF HIGHER COST SOURCES OF ENERGY.

BASIC ELEMENTS

THE BASIC ELEMENTS OF THE INTEGRATED EMERGENCY PROGRAM WOULD INCLUDE:

I. DEVELOPMENT OF A COMMON EMERGENCY SELF-SUFFICIENCY CAPABILITY:

THE GROUP SHOULD SET ITSELF A SERIES OF TARGETS FOR THE COMING YEARS TO REDUCE ITS VULNERABILITY TO INTERRUPTIONS OF SUPPLY OF OIL. THESE TARGETS MIGHT BE MOST CONVENIENTLY EXPRESSED IN TERMS OF THE NUMBER OF DAYS EACH COUNTRY WOULD BE ABLE TO SUSTAIN WITHOUT IMPORTS SOME AGREED LEVEL OF RESTRAINED CONSUMPTION DURING

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THE MOST RECENT TWELVE MONTH PERIOD.

THE OBJECTIVE SHOULD BE THAT EACH COUNTRY, THROUGH STOCKPILING AND EQUIVALENT MEASURES, BE ABLE TO MEET A COMMON STANDARD DEFINED IN THESE TERMS. THEREAFTER,

THE GROUP SHOULD CONSIDER INCREASING ITS EMERGENCY SELF-SUFFICIENCY CAPABILITY THROUGH ADDITIONAL STOCKPILING AND OTHER STANDBY MEASURES.

A TECHNICAL COMMITTEE COULD BE ESTABLISHED TO ASSESS POSSIBLE TARGET LEVELS OF SELF-SUFFICIENCY IN THE LIGHT OF A LIKELY RANGE OF CONTINGENCIES. THIS COMMITTEE COULD DEVELOP A SERIES OF TARGETS WHICH COULD SERVE AS THE BASIS FOR THE GROUP'S EFFORT TO ENHANCE ITS EMERGENCY SELF-SUFFICIENCY CAPABILITY. THERE WOULD BE NEED FOR CONTINUING REVIEW OF THIS ACTION PROGRAM IN TERMS OF (I) EACH COUNTRY'S POSITION RELATIVE TO ITS TARGET; (II) THE EFFECTIVENESS OF EACH COUNTRY'S MEASURES FOR ATTAINING ITS TARGET; AND (III) PROGRESS TOWARD ACHIEVING THE SELF-SUFFICIENCY TARGET, AND (IV) THE ADEQUACY OF THE GROUP'S TARGETS IN THE LIGHT OF MARKET AND POLITICAL DEVELOPMENTS.

II. RESTRAINT OF CONSUMPTION:

EACH COUNTRY OF THE GROUP SHOULD BE PREPARED TO RESTRAIN IN AN EMERGENCY, ITS CONSUMPTION OF PETROLEUM AND SUBSTITUTABLE SOURCES OF ENERGY. THE ABILITY OF COUNTRIES

TO CURTAIL DEMAND WILL OBVIOUSLY DIFFER AND COUNTRIES COULD BE ALLOWED SOME FLEXIBILITY TO MEET THIS REQUIREMENT THROUGH OTHER EQUIVALENT MEASURES. BUT THE EFFECTIVENESS OF THE OVERALL PROGRAM WOULD BE ENHANCED BY THE AGREEMENT OF EACH COUNTRY TO DEVELOP THE CAPABILITY TO ACHIEVE A COMMON MINIMUM LEVEL OF RESTRAINT.

A TECHNICAL COMMITTEE COULD BE ESTABLISHED TO:

-- REVIEW ANNUALLY THE STANDBY RESTRAINT PROGRAM OF EACH PARTICIPATING COUNTRY.

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-- DEVELOP A COMMON PLAN FOR DEMAND RESTRAINT IN SUCH FIELDS AS INTERNATIONAL AIR AND BUNKERING;

III. INTERNATIONAL ALLOCATION OF PETROLEUM SUPPLIES:

UNDER THIS INTEGRATED PROGRAM, AVAILABLE OIL WOULD BE ALLOCATED WITHIN THE GROUP ON THE BASIS OF A PREDETERMINED FORMULA IN ORDER TO PROVIDE THAT NO ONE COUNTRY, ASSUMING IT HAD MET ITS TARGET OF EMERGENCY SUPPLIES, WOULD BEAR A DISPROPORTIONATE INCONVENIENCE AS A RESULT OF A REDUCTION IN THE SUPPLY OF OIL NORMALLY AVAILABLE TO THE GROUP. THE BASIC PRINCIPLE GOVERNING SUCH A FORMULA WOULD BE THAT EACH COUNTRY SHOULD BE ABLE TO LIVE ON ITS EMERGENCY SUPPLIES FOR THE SAME PERIOD OF TIME. COUNTRIES WHICH HAD NOT MET THEIR EMERGENCY SUPPLY TARGETS WOULD REMAIN MORE VULNERABLE.

IV. ACTIVATION OF EMERGENCY MEASURES:

WE WOULD PROPOSE THAT:

-- INTERNATIONAL ALLOCATION SHALL BEGIN WHENEVER ANY MEMBER OF THE GROUP, AS A RESULT OF INTERRUPTION OF SUPPLY, SUSTAINS A REDUCTION OF ITS NET OIL IMPORTS AT LEAST EQUAL TO 5 PERCENT OF THE AVERAGE DAILY RATE DURING THE MOST RECENT TWELVE-MONTH PERIOD;

-- MANDATORY DEMAND RESTRAINTS BY THE MEMBERS SHALL BEGIN WHENEVER THE GROUP AS A WHOLE SUSTAINS A REDUCTION OF TOTAL OIL SUPPLY (I.E., OIL PRODUCTION WITHIN THE GROUP PLUS NET OIL IMPORTS FROM SOURCES OUTSIDE THE GROUP) EQUAL TO OR GREATER THAN 5 PERCENT OF SUPPLIES OF THE AVERAGE DAILY RATE DURING THE MOST RECENT TWELVE-MONTH PERIOD;

-- IF INTERNATIONAL ALLOCATION BUT NOT THE RESTRAINT

PROGRAM IS PUT INTO EFFECT, INDIVIDUAL COUNTRIES SHALL BE FREE TO DEAL WITH RESULTING CURTAILMENTS IN THEIR OWN OIL SUPPLIES (WHETHER RESULTING FROM PRODUCERS ACTION OR FROM INTERNATIONAL ALLOCATION) THROUGH ANY COMBINATION OF MEASURES, SUCH AS SELECTIVE DEMAND
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RESTRAINTS AND DRAW DOWN OF STOCKS.

ANY COUNTRY WOULD BE ENTITLED TO REQUEST CONSULTATIONS ON APPROPRIATE MEASURES ON 72 HOURS NOTICE IF:

-- IT IS THE TARGET OF SELECTIVE DENIAL ACTION;

-- IT BELIEVES A GENERAL EMERGENCY EXISTS.

AT THE TIME THE FULL PROGRAM IS ACTIVATED A MEETING AT THE MINISTERIAL LEVEL COULD BE CONVENED TO REVIEW THE SITUATION AND DECIDE ON POSSIBLE MODIFICATION OF THE AGREED PROGRAM AND OTHER SUITABLE STEPS BY THE MEMBER GOVERNMENTS.

V. LONGER-TERM COMMITMENT TO REDUCE DEPENDENCY ON IMPORTED OIL:

THE GROUP SHOULD FORMULATE A LONG-TERM PROGRAM TO REDUCE ITS VULNERABILITY THROUGH CONSERVATION AND THE DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY, INCLUDING THE SUBSTITUTION OF OTHER FORMS OF ENERGY FOR PETROLEUM AND THE ACCELERATED DEVELOPMENT OF SOURCES OF PETROLEUM WITHIN THE GROUP OR IN OTHER AREAS CONSIDERED RELATIVELY SECURE. OVER TIME, THOSE EFFORTS COULD SUBSTANTIALLY LESSEN THE COST OF THE INTEGRATED EMERGENCY PROGRAM.

THE GROUP SHOULD ESTABLISH A SERIES OF SPECIFIC TARGETS FOR THE REDUCTION OF ITS DEPENDENCE ON IMPORTED OIL. THESE MIGHT INCLUDE:

-- AGREEMENT ON A SERIES OF INDIVIDUAL AND GROUP TARGETS FOR IMPROVING THE EFFICIENCY OF ENERGY USE AND REDUCTION OF NON-ESSENTIAL CONSUMPTION.

-- AGREEMENT ON A PROGRAM OF COOPERATION DESIGNED TO SHARE THE COST AND ECONOMIC RISKS OF THE ACCELERATED DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY SUPPLY.

A TECHNICAL COMMITTEE COULD REFINE THE TARGETS FOR THE GROUP AND DEVELOP SPECIFIC COUNTRY TARGETS. THERE COULD
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BE ANNUAL REVIEW AND REVISION OF THESE TARGETS AND ASSESSMENT OF PROGRESS TOWARD ACHIEVING THEM.

MEMBER COUNTRIES COULD ALSO AGREE ON COOPERATIVE EFFORTS TO SPREAD THE COST AND RISKS OF THE DEVELOPMENT OF HIGHER COST ENERGY SOURCES RELATIVE TO THE COST STRUCTURE OF OIL FROM THE OPEC COUNTRIES. THESE RISKS ARE SUBSTANTIAL FOR THE PARTICULAR COUNTRY INCURRING THESE INVESTMENTS, IN VIEW OF THE POSSIBILITY OF SUBSTANTIAL DECLINES IN WORLD PETROLEUM PRICES IN THE FUTURE. COOPERATIVE PROGRAMS COULD INCLUDE ARRANGEMENTS (I) TO ASSURE INVESTORS OF A MINIMUM RETURN ON THEIR INVESTMENTS; AND (II) TO ENCOURAGE THE FLOW OF CAPITAL INVESTMENTS FROM ONE PARTICIPATING COUNTRY INTO THE DEVELOPMENT OF THE RESOURCES OF ANOTHER PARTICIPATING COUNTRY.

THE GROUP SHOULD ALSO BE PREPARED TO GRANT INCENTIVES TO ITS MEMBERS TO DIVERSIFY THEIR ENERGY SUPPLIES. THESE MIGHT INCLUDE:

-- A "CREDIT" IN COMPUTING STOCKPILING TARGETS FOR INVESTMENT EFFORTS WHICH BRING ON STREAM ADDITIONAL PRODUCTION FLOWS FROM THE NEW SECURE SOURCES OUTSIDE THE

TERRITORIES OF THE GROUP BUT NOT UNDER THE CONTROL OF THE MAJOR PRODUCING STATES;

-- SHARING IN R AND D EXPENDITURES ON NEW PRODUCTION METHODS AND MEANS TO IMPROVE EFFICIENCY OF ENERGY USE FROM SOURCES WITHIN THE GROUP AND IMPORTS FROM SOURCES OUTSIDE THE GROUP.

VI. ELIGIBILITY FOR PARTICIPATION:

COUNTRIES THAT DO NOT LIVE UP TO THEIR OBLIGATIONS UNDER THE PROGRAM WEAKEN THE SECURITY OF THE GROUP AS A WHOLE. THEREFORE, THE PROGRAM SHOULD INCLUDE STANDARDS OF ELIGIBILITY.

IN ADDITION, EACH COUNTRY SHOULD TAKE SUCH ACTION AS MAY BE NECESSARY TO HAVE IN EFFECT LEGISLATION OR OTHER AUTHOR-

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ITY ENABLING IT TO (I) COMPEL COMPLIANCE BY OIL COMPANIES SUBJECT TO ITS JURISDICTION WITH THE ALLOCATION MEASURES ADOPTED BY THE GROUP, (II) TO IMPLEMENT AND ENFORCE ITS

DEMAND RESTRAINT PROGRAM, AND (III) TO ACCOMPLISH ITS TARGET FOR STOCKPILING AND OTHER STANDBY MEASURES.

VII. INTERRUPTION OF SUPPLIES:

INTERRUPTIONS OF SUPPLY WITHIN THE MEANING OF THE ARRANGEMENT SHOULD INCLUDE SUCH SITUATIONS AS:

-- SUBSTANTIAL CURTAILMENTS OF IMPORTED SUPPLIES, WHETHER ECONOMICALLY OR POLITICALLY MOTIVATED;

-- INTERRUPTIONS DUE TO WAR, MAJOR NATURAL DISASTERS, SUBSTANTIAL DISRUPTIONS OF TRANSPORTATION FACILITIES, OR MAJOR LABOR DIFFICULTIES IN SUPPLYING COUNTRIES OUTSIDE THE GROUP;

-- SUBSTANTIAL AND RAPID INCREASES IN PRICE DUE TO CONCERTED PRODUCER ACTION.

THE ARRANGEMENT WOULD NOT COVER FLUCTUATIONS OF SUPPLY ATTRIBUTABLE TO THE NORMAL PLAY OF MARKET FORCES OR ORDINARY OPERATIONAL DIFFICULTIES OF THE INDUSTRY.

VIII. IMPLEMENTATION:

THE TYPE OF PROGRAM WE PROPOSE WOULD REQUIRE:

-- A GOVERNING BODY CONSISTING OF FOREIGN AND ENERGY MINISTERS WHICH WOULD (1) BE RESPONSIBLE FOR THE COORDINATION OF FOREIGN AND ENERGY POLICIES; (2) BE PROMPTLY CONVENED IN THE EVENT OF SEVERE EMERGENCIES; (3) KEEP UNDER REVIEW THE DECISIONS AND DELIBERATIONS OF A SENIOR CRISIS MANAGEMENT COMMITTEE AND (4) SERVE AS THE HIGHEST POLICY BODY OF THE GROUP;

-- A SENIOR CRISIS MANAGEMENT COMMITTEE COMPOSED OF POLICY LEVEL OFFICIALS WHICH WOULD (1) DETERMINE WHEN AN

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EMERGENCY EXISTS; (2) PROVIDE THE CENTRAL POLICY MANAGEMENT FOCUS DURING ANY EMERGENCY; (3) OVERSEE THE ESTABLISHMENT OF THE CRISIS MANAGEMENT APPARATUS; AND (4) CONDUCT ANNUAL REVIEWS OF NATIONAL ENERGY POLICIES TO APPRAISE THE PROGRESS OF THE PARTICIPATING COUNTRIES IN MEETING THEIR VARIOUS COMMITMENTS UNDER THE PROGRAM;

-- A SMALL INTERNATIONAL SECRETARIAT WHICH WOULD BE RESPONSIBLE FOR GATHERING AND MAINTAINING THE NECESSARY INFORMATION AND FOR SUPPORTING THE VARIOUS INTER-

GOVERNMENTAL ADVISORY GROUPS;

-- A CRISIS MANAGEMENT TECHNICAL COMMITTEE WHICH WOULD BE RESPONSIBLE FOR DRAWING UP CONTINGENCY PLANS AND FOR REVIEWING THE PLANS OF EACH COUNTRY, INCLUDING STANDBY DEMAND RESTRAINT AND STOCKPILING PROGRAMS;

-- ADVISORY GROUPS FROM THE PRIVATE SECTORS, TO INCLUDE AT LEAST AN OIL COMPANY GROUP AND A SHIPPING GROUP, WITH OTHERS TO BE DECIDED BY THE SENIOR CRISIS MANAGEMENT COMMITTEE;

-- TECHNICAL LEVEL INTER-GOVERNMENT COMMITTEES AND WORKING GROUPS TO DEAL WITH THE VARIOUS SECTORS OF THE IEP AND TO HANDLE PARTICULAR PROBLEMS AS DECIDED UPON BY THE SENIOR CRISIS MANAGEMENT COMMITTEE.

PERIODIC CRISIS-MANAGEMENT EXERCISES SHALL BE ARRANGED SO THAT THE PARTICIPATING COUNTRIES MAY:

-- GAIN CONFIDENCE IN THE IEP MECHANISM AND INCREASE THEIR ADHERENCE TO IEP OBJECTIVES;

-- RECEIVE THE BENEFITS OF THE LESSONS THE EXERCISE ITSELF WILL GIVE;

-- SIGNAL THEIR DETERMINATION TO PRODUCER COUNTRIES THAT CONSUMER-COUNTRY VULNERABILITY WILL NOT BE CRIPPLING.

ACTIVITIES OF THE INTERNATIONAL SECRETARIAT AND THE VARIOUS TECHNICAL COMMITTEES AND WORKING GROUPS SHOULD BE CONFIDENTIAL

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GUIDED BY THE GENERAL PRINCIPLE THAT THE PRIMARY FOCUS OF THE GROUP SHOULD BE TO ESTABLISH GUIDELINES FOR THE OPERATIONS OF THE INTERNATIONAL INDUSTRY IN AN EMERGENCY BUT THAT, TO THE EXTENT POSSIBLE, THE SPECIFICS OF INTERNATIONAL PETROLEUM MOVEMENTS (ALLOCATION OF PARTICULAR CRUDEs AND SPECIFIC SHIPMENTS) SHOULD BE LEFT IN THE HANDS OF THE INDUSTRY. BROWN

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